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ENERGY IN THE SOVIET UNION

Geologists, energy specialists and oil industry representatives gathered in Cambridge last month for a conference on Energy in the Soviet Union. The geologists, James W. Clarke, and Arthur A. Meyerhoff, opened with presentations outlining the enormous reserve potential for both oil and gas in the Soviet Union and all agreed that the problems in proving and developing this potential would be very large.

The conference centered on the current debate over how successful the Soviets will be in producing enough oil to meet their increasing needs and those of their satallites. David Jackson of the CIA outlined the reasoning behind their conservative projection that the Soviets will not be able to hold output near 12 million barrels per day through the mid 1980's unless they find another supergiant field and can bring it on line soon enough. Their observations include the shortfall in necessary exploratory drilling needed to maintain discovery rates, depletion of older producing fields, technological constraints and severe geographic conditions. This coupled with demand projections leads them to expect an energy crunch in the Soviet Union sooner rather than later.

A less pessimistic outlook for the shortrun was put forward by Marshall Goldman and Robert Campbell. In their view there were also substitution possibilities and enhanced recovery potential. It might also be possible to introduce economic incentives which encourage the export of petroleum, and the moderation of domestic demand.

Finally, oil industry representatives, James Giffen of Armco International, Owen Thomas of Phillips Petroleum, and R. E. Bob Carlile of Petty-Ray Geophysical Geosource, outlined the ways in which western oil companies can provide needed equipment and technological assistance. They emphasized that western European and Japanese competitors are not as adversely constrained by the political climate and trade policies of their governments. The oil and gas potential of the People's Republic of China was also briefly discussed and industry representatives compared their experiences in negotiating with trade officials in both countries.

Robin Meigel

ARDEN HOUSE CONFERENCE

We plan to send out the full program and application form for the fifth Arden House Conference during the first week in January. As mentioned earlier, the Conference will be held at the former Harriman estate in Harriman, New York, beginning Friday evening, March 13th, and running until Sunday noon, March 15th. The fee this year should be approximately $300. We have enclosed with this Newsletter a list of the topics that will be discussed at the Conference. We urge you to set aside the time and to mark your calendars now.

FLASH

Just as we were about to send this off to the copy center, Western newspapers reported the Soviets had released a draft of the 11th Five Year Plan. We will have to wait until the plan itself arrives in Cambridge before we can make any elaborate statement. But for those who have not seen the early reports, one of the most interesting figures showed that oil output was to increase to 630 to 645 million tons by 1985. While it remains to be seen if that figure is reached (that was almost the same range set out for fulfillment in 1980 (620-640 . in other words, the 1980 goal has been put off to 1985), the important point is that the Soviets clearly do not forsee the same sharp fall in petroleum output predicted by the CIA. According to the CIA, output in 1985 should fall to 500 or conceivably 400 million tons from the 606 million tons this year.

More next month.

INDUSTRIAL PRODUCTION FOR THE FIRST TEN MONTHS OF 1980

Product	Oct. 1980	Jan.-Oct.80	% of 1st 10 mos. of 80 over 79
Electricity (bil.kw.)	110	1058	105
Petroleum (Including gas condensate (mil. tons)	51.5	501	103
Natural Gas (bil.cu.m.)	37.4	358	107
Coal(mil.tons)	59.7	596	99.3
Steel(mil.tons)	12.4	124	99.9
Fertilizer (mil.tons)	8.2	87.1	111
Computer Technol. (bil.rubles)	.4	3.6	114
Watches (mils.)	5.8	55.3	103
Radios (mils.)	.7	7.0	100.4
Television sets (mils.)	.6	6.2	103
Paper (mil.tons)	.5	4.4	101
Cement (mil.tons)	10.3	104	102
Meat (mil.tons)	.9	7.0	95
Motor Vehicles cars (1000s)	113	1105	100.6
trucks(1000s)	66.4	656	101
Tractors	46.9	461	100.4

SOVIET PRODUCTION CONTINUES TO FALTER

The Soviets continue to have difficulty, not only in meeting their targets for 1980, but in producing more in certain key industries in 1980 than they did in 1979. Production for the first ten months of the year in the coal, steel, some chemical industries, railroad car, meat, sausage, and refrigerator industries was below what it was for the corresponding ten months of 1979. In addition, automobile production for the month of October 1980 compared to October 1979 was approximately 3% lower than it had been in the previous year. Tractor production, while not down as much as we reported in the November Newsletter, nonetheless was down about 5% over the corresponding October.

The only good news was that meat production for the month of October 1980 was the same as it was in October 1979, although as indicated above, overall meat production is down about 5% for the whole ten month period.

Similarly, oil production continues to increase. For the first ten months of 1980, it was up 3% over the corresponding period of time. That is an increase of 15 million tons. If the Soviets produce as much in November and December 1980 as they did in the similar months of 1979, their output for the year will reach at least 601 million tons or 12 million barrels a day. The likelihood of course is that they will produce a few more tons.

CURRENCY FIGURES

Rubles Purchased Per 100:	Nov. 79	Oct. 80	Nov. 80
Aust. shilling	5.07	5.06	4.92
U.K. pound	138.05	154.57	159.42
W. German mark	36.28	35.79	34.80
U.S. dollar	65.40	64.40	66.00
French franc	15.55	15.41	15.03
Japanese yen	.278	.301	.310
Italian lira	.0788	.0753	.0736
Swiss franc	39.22	39.13	38.66

The currency figures as quoted by Gosbank for the month of November 1980 show an increase in value for the British pound, the U.S. dollar, and the Japanese yen. All other currencies reported here decreased in value from the preceding month.

ODDS AND ENDS

As part of its energy conservation campaign, the Soviet Union has announced that it is adopting a daylights savings plan. It is a little hard to see just what that will accomplish given the extremities in the sun's appearance over the Soviet Union, but beginning April 1, 1981, the Soviets will set their clocks ahead, and reverse them on October 1, 1981.

Reflecting the apparent underproduction of grain and the ragged distribution pattern, there was a rumor of a general strike in the port city of Odessa in late October and early November. This report comes from American visitors to the Ukraine. The rumored strike was reportedly settled when the government rushed in extra deliveries of food.

The Russian Research Center takes no official stand on any economic or political matter. The views and analyses expressed in this Newsletter are those of the authors directly associated with the article in question; and unless otherwise stated, with those of the editor, Marshall I. Goldman

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